

REPORT OF THE EXECUTIVE OFFICER
State Allocation Board Meeting, May 28, 2008

FINANCIAL NEEDS OF THE STATE RELOCATABLE CLASSROOM PROGRAM

PURPOSE OF REPORT

To present the estimated financial needs to operate the State Relocatable Classroom Program (Program) for the 2008/09 and 2009/10 Fiscal Years (FY) and to consider transferring approximately \$16.5 million in excess 2007/08 FY revenue.

BACKGROUND

At the August 2005 State Allocation Board (SAB) meeting, the Board directed Staff to report back on the projected annual financial needs for the Program before the end of each FY.

DISCUSSION

The Program needs an estimated \$4.8 million to operate for the current and next two FY's (FY 2008/09 and FY 2009/10) which include actual and estimated costs. Some of the operating costs estimated for the current and budget years include transportation and set-up costs for moves that were on the Program workload list prior to the Board's approval of the phase-out plan as well as the moves for State owned relocatables that lie within the footprint of a School Facility Program (SFP) new construction project. The administrative costs for the current and budget years continue to decrease as the relocatable classrooms are sold and there are fewer buildings to move or demolish. Since most of the relocatable classrooms will be sold by the end of FY 2008/09, there will be a significant decline in estimated revenue for FY 2009/10.

The cost to operate the Program for the remainder of FY (2007/08) is \$1,011,175 and is based on actual and projected costs. For FY 2008/09, the estimated cost to operate is \$2.5 million. The total sales and lease revenue for FY 2007/08 is \$20,074,844. After setting aside the total funds needed to operate the Program for current and next FY, it is anticipated that the Program will have excess revenue of \$16,559,340 than what is needed to run the Program (see Attachment A).

AUTHORITY

Education Code Section 17088.2 states:

Notwithstanding any provision of law to the contrary, including, but not limited to, Section 17587, the board may transfer any funds within the State School Building Aid Fund that are in excess of the amounts needed by the board for the maintenance of portable buildings or for the purchase of new portable buildings, for that fiscal year, to any of the following, as appropriate:

- (a) The 1998 State School Facilities Fund for allocation by the board for any purpose authorized pursuant to that fund.
- (b) The 2002 State School Facilities Fund for allocation by the board for any purpose authorized pursuant to that fund.
- (c) The 2004 State School Facilities Fund for allocation by the board for any purpose authorized pursuant to that fund.
- (d) The State School Deferred Maintenance Fund for allocation by the board for any purpose authorized pursuant to that fund. The board may utilize up to 100 percent of the funds transferred by the board to the State School Deferred Maintenance Fund pursuant to this section for funding extreme hardship critical projects.

STAFF COMMENTS

For this year, it is anticipated that the Program will have \$16,559,340 of revenue in excess of what is needed to operate the program and therefore available for other purposes. The statute states that the Board may elect to transfer any funds from the State School Building Aid Fund that are in excess of the amounts needed by the Board to be allocated for any purpose pursuant to that fund.

STAFF COMMENTS (cont.)

Last year approximately \$15.5 million in excess State School Building Aid Fund revenue was transferred to the SFP Joint-Use Program which resulted in a greater amount of SFP Joint-Use projects being apportioned.

The Board at its August 2005 meeting adopted Resolution: 2005-08-21, that after the approval by the Board of its annual expenditure plan any excess revenue can be transferred to the General Fund (see Attachment B). Staff has identified these potential uses of the excess revenue:

DMP

There are approximately \$14.9 million in DMP Extreme Hardship projects and project increases that are currently on the unfunded list. There is \$2.27 million remaining in the State School DMP Fund. These projects have demonstrated a health and safety issue and the pupils are at risk.

SFP Joint-Use Program

The SFP Joint-Use Program has \$9.8 million in funds from prior SFP bonds available to fund this year's joint-use projects as well as approximately \$900,000 in prior Lease-Purchase Program bond funds that the Board can use for the SFP Joint-Use Program. To date, the Office of Public School Construction (OPSC) has \$9.4 million in SFP joint-use project applications.

General Fund

The May Revision 2008/09 proposes the following for the Surplus Relocatable Classroom Program Funds:

"In prior years, the state has transferred rental income received from the State Relocatable Classroom Program that was not needed for the program to the General Fund. Subsequently, the State Allocation Board approved a plan to phase out the program since it was no longer meeting its original intent to temporarily assist districts with excessive enrollment growth and unforeseen classroom emergencies, and due to the general condition of the aging fleet of relocatable classrooms. The Office of Public School Construction has now indicated there is \$14 million in excess revenue from the program that is available. As a result, consistent with prior practice, the May Revision proposes to transfer this funding to the General Fund".

RECOMMENDATIONS

1. Provide Staff with direction on the distribution of the \$16,559,340 million in excess revenue in the State School Building Aid Fund.
2. Should the Board decide to transfer any of the excess revenue from the State School Building Aid Fund to the State School Deferred Maintenance Program Fund, request staff to process consent items to the next available SAB meeting to fund the remaining DMP Extreme Hardship projects and project increases.
3. Request Staff to submit to the Department of Finance appropriate budget documents to update Program revenue and expenditure estimates consistent with this item, to be reflected in the May Revision update for the FY 2008/09 Budget.

BOARD ACTION

In considering this item, the State Allocation Board approved a motion to transfer \$16.5 million from the State School Building Aid Fund to the General Fund on a one-time basis for the 2007/08 Fiscal Year only. Future fiscal years will require separate, formal action by the Board. In addition, the Board approved Staff's recommendation number three that requests Staff to submit to the DOF appropriate budget documents to update the State Relocatable Classroom Program revenue and expenditure estimates in order to reflect that information in the May Revision update for the 2008/2009 Budget.

ATTACHMENT A
State Allocation Board Meeting, May 28, 2008

State Relocatable Classroom Program Projected Costs

Expenditure Authority Available	2007/2008	2008/2009	2009/2010
6350-601-0739 Local Assistance	\$3,265,000.00	\$2,355,000.00	\$1,500,000.00
1760-001-0739 Support Operations	\$295,000.00	\$297,000.00	\$297,000.00
Expenditure Authority Available	\$3,560,000.00	\$2,652,000.00	\$1,797,000.00

Revenue	2007/2008	2008/2009	2009/2010
Lease Revenue	\$8,952,378.00	\$1,488,000.00	\$224,000.00
Sale of State Relocatables	\$11,122,467.00	\$29,512,000.00	\$4,424,000.00
Available for Transfer ¹	\$16,559,340.00	\$0.00	\$0.00
Total Revenue	\$3,515,505.00	\$31,000,000.00	\$4,648,000.00

Estimated SRCP Costs	2007/2008	2008/2009	2009/2010
Southern California Movers Contract (SCMC) ²	\$709,395.00	\$1,500,000.00	\$0.00
Contract to Bid for Auction ³	\$0.00	\$0.00	\$200,000.00
NCMC Reimbursement Costs ⁴	\$0.00	\$312,725.00	\$312,725.00
SCMC Reimbursement Costs ⁴	\$0.00	\$264,605.00	\$264,605.00
Moving Costs ⁵	\$0.00	\$0.00	\$150,000.00
Disposal Costs	\$12,780.00	\$130,000.00	\$130,000.00
State Relocatable Classroom Program Staffing	\$289,000.00	\$297,000.00	\$297,000.00
	\$1,011,175.00	\$2,504,330.00	\$1,354,330.00

¹ Represents the amount that can be transferred from Lease Revenue and Sales Revenue based upon the direction of the Board.

² Approximately \$1.5 million of the remaining mover's contract will be utilized, executing a one-year extension on the contract, during 2007/2008.

³ Represents the amount needed to support a contract to auction surplus State Relocatable Classrooms.

⁴ Represents the amount to reimburse districts that had moves pending prior to the Phase - Out.

⁵ Represents the expenditure authority required to reimburse school districts for moving State Relocatable Classrooms out of the footprint for new construction and/or modernization.

**State of California
State Allocation Board
State Relocatable Classroom Program**

WHEREAS, the State Allocation Board (hereafter referred to as the "Board") is the governing body authorized to administer the State Relocatable Classroom Program (referred to collectively as the Program). The Program provides portable classrooms to school districts and county offices of superintendents through the form of a lease agreement; and

WHEREAS, The Board is given the authority to establish qualifications, procedures and policies, rules and regulations, to construct, furnish, equip, and perform whatever work is necessary to place portable classrooms on school sites where needed; and

WHEREAS, The Board has the power to own, have maintained, and lease portable classrooms to qualifying school districts and county superintendent of schools, pursuant to Education Code Section 17088(e); and

WHEREAS, The Board has the authority to lease portable classrooms to qualifying school districts and county superintendent of schools, pursuant to Education Code Section 17089; and

WHEREAS, The Board may transfer any funds within the State School Building Aid Fund that are in excess of the amounts needed by the Board for the maintenance of portable buildings or for the purchase of new portable buildings to other programs administered by the Board pursuant to Education Code Section 17088.2; and

WHEREAS, By virtue of control language included in the Budget Act in years past, the rental income generated by the Program has been transferred from the State School Building Aid Fund to the General Fund. As a result, there are no longer funds available to support the program costs; and

WHEREAS, It is the intent of the Board to retain all the lease revenue for the 2006/2007 Fiscal Year within the State Relocatable Classroom Program fund for the operation of the Program and for any decisions the Board makes on the future of the Program; and

WHEREAS, Budget Act Section 24.30 authorizes the Department of Finance to determine the transfer amount of rental income, based on an annual expenditure plan approved by the Board, from the State School Building Aid Fund to the General Fund.

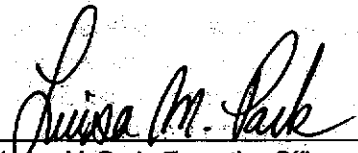
NOW, THEREFORE, BE IT RESOLVED:

1. The Board intends to retain all the lease revenues for the 2006/2007 Fiscal Year within the State Relocatable Classroom Program for the operation of the Program.
2. The Board requires the Office of Public School Construction to present an expenditure plan each March for the Program.
3. The Board shall provide the Department of Finance with the annual expenditure plan.

SPECIAL

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I, the undersigned, duly authorized as the Executive Officer of the State Allocation Board, do hereby certify the foregoing to be true and correct, and that this Resolution was adopted at a meeting of said Board on August 24, 2005, at Sacramento, California.



Luisa M. Park, Executive Officer
State Allocation Board

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